

# SUBCOMMITTEE 4

# FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

*Members*

Michael Machado, Chair  
Bob Dutton  
Christine Kehoe

*Consultants*

Daniel Alvarez  
Brian Annis  
Keely Martin Bosler  
Bryan Ehlers

# SUBCOMMITTEE No. 4

## LEGISLATIVE, EXECUTIVE, JUDICIARY, TRANSPORTATION, and GENERAL GOVERNMENT

### **Transportation**

California Transportation Commission .....	4-1
Special Transportation Programs .....	4-1
Department of Transportation .....	4-1
High Speed Rail Authority .....	4-4
California Highway Patrol.....	4-4
Department of Motor Vehicles.....	4-4
Shared Revenues .....	4-5

### **State Administration**

Office of the Chief Information Officer .....	4-6
Secretary for State and Consumer Services .....	4-6
Secretary for Business, Transportation, and Housing .....	4-6
Office of Planning and Research.....	4-6
Office of Emergency Services.....	4-7
State Controller.....	4-8
Department of Insurance .....	4-9
State Lottery Commission .....	4-9
Board of Equalization.....	4-9
Secretary of State.....	4-11
State Treasurer's Office.....	4-11
California Science Center.....	4-12
Consumer Affairs .....	4-12
Fair Employment and Housing.....	4-12
Franchise Tax Board .....	4-12
Department of General Services.....	4-13
State Personnel Board .....	4-14
Public Employees' Retirement System .....	4-14
State Teachers' Retirement System.....	4-15
Department of Technology Services .....	4-15
Alcoholic Beverage Control.....	4-15
Department of Financial Institutions.....	4-15
Department of Corporations .....	4-15
Department of Housing and Community Development.....	4-15
California Housing Financing Agency.....	4-16
Department of Real Estate.....	4-16
Department of Managed Health Care.....	4-16
California Arts Council .....	4-16
Public Employee Relations Board.....	4-16
Department of Personnel Administration.....	4-17
Fair Political Practices Commission.....	4-17

# SUBCOMMITTEE No. 4

**State Administration (continued)**

Department of Finance .....	4-17
Commission on State Mandates .....	4-18
Office of Administrative Law .....	4-18
Military Department .....	4-18
Tax Relief .....	4-19
Local Government Financing .....	4-19
Economic Recovery Financing Committee .....	4-19
Support for Health and Dental Benefits for Annuitants .....	4-19
Augmentation for Employee Compensation .....	4-19
Augmentation for Contingencies and Emergencies .....	4-20

*Control Sections:*

Contributions to Public Employee Retirement Benefits .....	4-20
“Price” Reduction .....	4-20
Unallocated Reductions .....	4-20
Elimination of Boards and Commissions .....	4-20
Disposition of Bonds Proceeds .....	4-20
Federal Fund Receipts .....	4-20
EDP/Information Technology Reporting Requirement .....	4-21
Reporting of Statewide Software License Agreements .....	4-21
Appropriation Adjustments to Reflect Technology Service Rate Changes ....	4-21
GF Expenditures for Debt Service .....	4-21
Program Change Notification .....	4-21
Legislative Intent Regarding 2008-09 Budget Preparation .....	4-21
Budget Stabilization Account Transfer to the General Fund .....	4-21

**Corrections and Rehabilitation**

Department of Corrections and Rehabilitation .....	4-22
Office of the Inspector General .....	4-32

**Judiciary**

Judicial Branch .....	4-33
Commission on Judicial Performance .....	4-35
Contributions to Judges’ Retirement System .....	4-35

**Public Safety and Criminal Justice**

Department of Justice .....	4-36
Gambling Control Commission .....	4-37
Alfred E. Alquist Seismic Safety Commission .....	4-37
Victim Compensation and Government Claims Board .....	4-37
Commission on Peace Officer Standards and Training .....	4-38
State Public Defender .....	4-38
Payments to Counties for the Costs of Homicide Trials .....	4-38
California Horse Racing Board .....	4-38

# TRANSPORTATION

## 2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved \$873,000 and 7.0 positions for Proposition 1B (the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006).

## 2640 SPECIAL TRANSPORTATION PROGRAMS

- Augmented proposed Special Transportation Programs (also known as State Transit Assistance) funding by \$200 million to provide a total of \$416 million. Shifted other “spillover” revenues to provide General Fund relief – see Caltrans issue below for more detail on transit funding shifts. *The Governor vetoed the \$200 million augmentation down to \$100 million, indicating that the money would be better spent in the State Transportation Improvement Program (STIP) and to maintain a prudent reserve.*
- Approved Proposition 1B transit capital funding of \$600 million.

### Trailer Bill Language

1. For 2007-08, approved language setting funding from “spillover” revenues at \$200 million (the Governor vetoed this to \$100 million), and specifying a correction to the 2007-08 non-spillover allocation to correct for an over-allocation of approximately \$95 million in 2006-07.
2. For 2008-09 and ongoing, shifts one-half of spillover revenues to the newly-created Mass Transportation Fund, and retains the remaining half for the Public Transportation Account (PTA). Of the spillover revenue that flows to the PTA, increases the share for Special Transportation Programs from one half to two thirds.

## 2660 DEPARTMENT OF TRANSPORTATION

- Approved total Proposition 1B (Prop 1B) bond funding of \$4.2 billion. The Prop 1B categories directly budgeted in the California Department of Transportation (Caltrans) are as follows:
  - \$608 million for the Corridor Mobility Improvement Account (CMIA)
  - \$727 million for the State Transportation Improvement Program (STIP)
  - \$403 million for the State Highway Protection and Preservation Program (SHOPP)
  - \$123 million for Grade Separation
  - \$14 million for State Route 99
  - \$14 million for Local Bridge Seismic Retrofit
  - \$188 million for Intercity Rail

The Prop 1B categories budgeted in other departments are as follows:

- \$600 million for Public Transportation (Special Transportation Programs budget)
- \$193 million for Schoolbus Retrofit (Air Resources Board budget)
- \$250 million for Trade Corridor Air Quality (Air Resources Board budget)
- \$101 million for Transit Security (Office of Emergency Services budget)
- \$41 million for Port Security (Office of Emergency Services budget)
- \$950 million for Local Streets and Roads (Shared Revenue budget)

*Budget Bill Language(Proposition 1B)*

1. Rejected language to “pre-appropriate” Prop 1B funding for allocations in 2008-09 and 2009-10, because appropriations for those years can be provided in future budgets and legislative oversight will be retained.
2. Rejected Prop 1B language to allow the Administration to shift appropriation authority among bond programs.
3. Added Prop 1B language to allow the Director of Finance to augment the appropriations for specified bond programs if the programs are ready for construction on an accelerated timetable.

*Trailer Bill Language (Proposition 1B)*

1. Approved language to implement Prop 1B, which includes reporting and oversight requirements, as well as allocation criteria for specified bond categories.
- Modified the Governor’s proposal to shift \$1.3 billion in Public Transportation Account (PTA) funds to provide General Fund relief. The final budget action provided \$1.259 billion in General Fund relief and included the following:
    - Retained \$200 million in “spillover” revenue to augment the Special Transportation Program (also known as State Transit Assistance).
    - Shifted \$622 million in spillover revenue to provide General Fund relief by funding \$539 million in budget year and past year transportation-related general obligation bond debt, and \$83 million for Proposition 42 loan payments.
    - Shifted \$637 million in PTA revenues to provide General Fund relief by funding \$409 million in past year transportation-related general obligation bond debt (in addition to that in the above bullet), \$129 million for Department of Developmental Services regional center transportation, and \$99 million for home-to-school transportation.
    - Rejected the Governor’s proposal to shift \$65 million in “non-Article XIX” revenues from the PTA to the State Highway Account.

***The Governor vetoed the \$200 million transfer in the first bullet and the \$83 million transfer in the second bullet indicating technical cleanup was needed to implement the Legislature’s***

*intent. Technical cleanup language was adopted in subsequent legislation to achieve this \$283 million in GF relief.*

Trailer Bill Language (PTA “Spillover” Revenues)

1. Approved language to implement the above “spillover” revenue shifts for 2007-08. Approved language to provide ongoing relief from spillover funds by shifting one-half of spillover revenues in 2008-09, and thereafter, to the newly-created Mass Transportation Fund, which will fund transportation expenditures that would otherwise be obligations of the GF.
- Shifted new Prop 1B Capital Outlay Support (COS) engineering workload from the proposed 100 percent contractors, to 90 percent state staff / 10 percent contractors, to conform to the long-run average workload allocation and produce a savings of \$48 million. Directed that the savings be applied to the State Highway Account (SHA), to the extent possible, so that the SHA would have additional resources for maintenance and the State Highway Protection and Preservation Program (SHOPP). The Governor sustained the Legislature’s funding level but indicated the Administration would not be constrained by the Legislature’s staffing/contract plan, and would anticipate shifting additional dollars from state staff to contractors.
  - Approved full Proposition 42 funding of \$1.481 billion in 2007-08.
  - Approved an augmentation for highway pavement maintenance of \$85 million, and amended budget bill language to specify that the funding is only available for pavement maintenance.
  - Reduced funding for special transportation facilities, such as maintenance stations, from \$120 million to \$83 million to conform to revised project estimates.
  - Approved the Caltrans public safety radio budget request for \$19.6 million over five years to expand the high-band radio system into Caltrans District 10 to improve radio operability within Caltrans and to improve inter-operability with public safety entities such as the California Highway Patrol.
  - Restored funding of \$10 million for the Environmental Enhancement and Mitigation Program.

Budget Bill Language

1. Added language to specify that the first \$100 million in State Highway Protection and Preservation Program (SHOPP) allocations are attributable to the \$100 million in tribal gaming revenues received by the state pursuant to compacts ratified in 2004.

Trailer Bill Language

1. Approved language to conform statute to the Proposition 42 loan

repayment requirements of Proposition 1A, approved by voters in November 2006.

2. Approved language to maintain annual transfers from the Highway Users Tax Account to the Bicycle Account at \$7.2 million, instead of allowing the transfers to fall to \$5.0 million as specified in current statute.

## **2665 HIGH SPEED RAIL AUTHORITY**

- Augmented the budget by \$15.6 million, Proposition 116 bond funds, to continue work on the high speed rail project. Additionally, the High Speed Rail Authority's budget includes \$1.2 million in Public Transportation Account funds and \$3.5 million from the Orange County Transportation Authority.

## **2720 CALIFORNIA HIGHWAY PATROL**

- Approved an increase of \$16.4 million, special fund, to augment staffing by 91 positions (50 Officers and 41 non-uniformed support staff). Included in this approval is authority to add an additional 70 Officers in 2008-09 and related funding. The California Highway Patrol (CHP) indicates that this increase would help address the continual increase in workload associated with population growth throughout the state.
- Approved funding adjustments for the five-year \$494 million public safety radio system approved with the 2006 Budget Act. Reverted \$16 million in current year funding, and decreased funding for 2007-08 by \$9.7 million.
- Reduced funding for tactical alerts from \$24.8 million to \$10 million because the number of tactical alerts has fallen relative to the years immediately following September 11, 2001. Tactical alerts involve placing Officers on 12-hour shifts to enhance CHP presence in times of emergency or high security risk. Added budget bill language that requires legislative reporting and reversion of unexpended funds.
- Augmented overtime funding by \$7 million to allow the CHP to aid local law enforcement agencies with anti-gang activities.

### Trailer Bill Language

1. Approved language adjusting fees for the Motor Carrier Safety Program, which involves the CHP inspection of trucks at terminals. This fee adjustment is consistent with existing statutory intent that this be a self-supporting program.

## **2740 DEPARTMENT OF MOTOR VEHICLES**

- Approved year two and ongoing funding for the Department of Motor Vehicles (DMV) \$242 million Information Technology Modernization project. First-year funding was approved

with the 2006 Budget Act along with an annual reporting requirement to keep the Legislature informed about the project.

- Approved the request for \$85 million to complete the reconstruction of the Sacramento DMV headquarters, which includes asbestos removal and seismic work.
- Approved the request for \$9.4 million for vendor costs related to SB 1500 (Chapter 920, Statutes of 2004). This legislation requires each insurer that issues private passenger automobile liability policies, to electronically report to the DMV all issued policies, changes, and terminations; and requires DMV to suspend vehicle registrations if insurance is not in force. The number of uninsured drivers has been higher than anticipated and led to increased vendor costs.
- Took *no* budget action to implement the federal Real ID Act, which requires people without a passport to have a compliant driver's license or identification card by May of 2008 in order to enter a federal building or cross an airport checkpoint. Draft federal regulations allow states to postpone implementation, under specified conditions, and to date, the federal government has not provided any significant funding resources to implement the Real ID Act.

### **9350 SHARED REVENUES**

- Increased the 2007-08 Proposition 1B (Prop 1B) bond appropriation for the Local Streets and Roads category from \$600 million to \$950 million.



## STATE ADMINISTRATION

### **0502 OFFICE OF THE CHIEF INFORMATION OFFICER**

- Amended the Governor's proposal and approved 34 positions, including 13 new positions, and \$4.6 million (Department of Technology Services Revolving Fund) to staff an Office of the Chief Information Officer (OCIO), to establish a centralized information technology (IT) management department and ensure that project specific activities are coordinated with other departments and reflect the state's policies and direction for IT development. Adopted budget bill language requiring the OCIO to deliver to the Legislature by March 1, 2008, a five-year project plan for improving the state's IT effectiveness.
- Amended the proposed shift of project oversight and review functions from the Department of Finance's (DOF) Office of Technology Review, Oversight, and Security (OTROS) to the OCIO by transferring, effective January 1, 2008, only 21 existing positions from OTROS to the OCIO, while maintaining 5 positions at DOF for fiscal oversight and budgetary review of IT projects.

### **0510 SECRETARY FOR STATE AND CONSUMER SERVICES**

- Approved a government reorganization proposal to create an Office of Information Security and Privacy Protection within the Office of the Secretary for State and Consumer Services. The new office would consolidate certain information security staff currently at the Department of Finance and the Office of Privacy Protection in the Department of Consumer Affairs.

### **0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING**

- Approved funding totaling \$957,000 from new GF to the Small Business Expansion Fund for two budget requests associated with the Small Business Loan Guarantee Program. The first request was \$832,000 for the State match for federal funding for the Sudden and Severe Economic Dislocation Program and the second request was \$125,000 to perform audits of Financial Development Corporations.
- Rejected funding of \$441,000 GF and 3 new positions for international trade activities. Senate Bill 1513 (Chapter 663, Statutes of 2006) directed the Agency to report to the Legislature by February 1, 2008, with a strategic international trade and investment plan. The Legislature felt it was premature to add new positions in advance of this report.

### **0650 OFFICE OF PLANNING AND RESEARCH**

- Approved \$195,000 GF to continue training and outreach to tribal governments and to update the state's General Plan Guidelines, utilized by communities throughout California when updating their general plans.

- Approved \$234,000 GF and two positions for the Office of the California Small Business Advocate to develop an emergency preparedness handbook and address workload generated by 2006 legislation.
- Approved \$3 million in federal fund reimbursements from the State Homeland Security Grant Program in order to enhance local communities' emergency response through training, outreach, and other volunteer service opportunities.

## **0690 OFFICE OF EMERGENCY SERVICES**

- Approved \$1.2 million (\$608,000 General Fund) and 14 positions to eliminate a significant backlog of disaster assistance claims and provide improved service to local governments and disaster victims.
- Approved \$573,000 and 9.0 positions to implement final recommendations from the Bureau of State Audits and Little Hoover Commission reports, as well as comply with the California Prompt Payment Act. This request will limit future General Fund exposure to significant penalties due to delayed administrative processes.
- Approved \$200,000 federal funds to provide 3 positions to ensure the proper oversight of victim services administered sub-grants. These positions will increase the ability of OES to meet federal guidelines concerning timeliness of grant awards, reducing the threat of de-obligation of federal grants.
- Approved an increase of \$1.2 million federal funds pursuant to the Forensic Science Improvement Act. These funds would be used exclusively for local assistance grants.
- Reduced \$1.1 million GF for various external consulting contracts not justified on a workload basis.
- Approved an increase of \$5.6 million federal funds pursuant to the Victims of Crime Act.
- Approved \$9.5 million Restitution Fund for three new gang prevention grant programs. The grant programs target specific cities with heavy gang concentrations, provide competitive grants to cities as a whole, and support community-based organizations that provide services designed to reduce gang activity.
- Approved \$4.8 million federal funds, these grant funds are part of a federal anti-gang initiative established by the U.S. Attorney General and have identified specific areas of the state that will receive these funds.
- Provided \$300,00 SF to increase domestic violence counseling and education to under-represented communities.
- Approved \$40 million in Proposition 1B funds for the Office of Homeland Security to provide grants to assist ports in preparing for, responding to, and protecting against acts of terrorism.
- Approved \$100 million in Proposition 1B funds for the Office of Homeland Security to provide grants to assist transit operators, as specified, for security and disaster response, and in

preparing for, responding to, and protecting against acts of terrorism.

- Provided \$1 million Restitution Fund to support four existing Internet Crimes Against Children taskforces in San Diego, Sacramento, San Jose and Los Angeles.

#### **0840 STATE CONTROLLER**

- Approved \$8 million GF and 87 positions for the Unclaimed Property Program to provide improved notification to potential owners of unclaimed property. Adopted trailer bill language to provide state notices to all property owners before unclaimed property transfers to the state, and provide additional notices to property owners when the Controller can determine new contact information after the transfers have occurred. Additionally, adopted technical budget bill language and supplemental report language to provide enhanced oversight of the program and its effectiveness.
- Approved \$402,000 one-time GF and 3.2 one-year limited-term positions for the Unclaimed Property System Replacement Project. Additionally, reappropriated \$831,000 anticipated to go unexpended in 2006-07 due to project delays.
- Approved \$38 million (including \$34.3 million GF) and 80.6 one-year limited-term positions to complete the system development phase of the Human Resources Management System (HRMS)/21<sup>st</sup> Century Project. The HRMS is entering the fourth year of funding in what is expected to be a six-year, \$140 million project.
- Approved a \$536,000 HRMS funding shift from reimbursements to GF, added \$300,000 one-time GF for training room build-out costs, and provided \$93,000 GF for an HRMS Project Communications Manager. Denied retention pay for HRMS project staff, and directed the Administration to fully utilize the collective bargaining and Item 9800 processes.
- Denied a five percent salary increase valued at \$224,000 (\$106,000 General Fund) for Staff Management Auditors. Directed the Administration to fully utilize the collective bargaining and Item 9800 processes.
- Approved \$1 million (Leaking Underground Storage Tank Cost Recovery Fund) for clean-up of contaminated property in Stockton. The state faces possible litigation if the site is not quickly mitigated. Adopted trailer bill language to authorize the use of the Leaking Underground Storage Tank Cost Recovery Fund for the necessary corrective action.
- Approved \$999,000 to make 11 expiring limited-term Mandate Auditor positions permanent. The auditors analyze older mandate cost claims that are approaching the end of the statute of limitations for initiating claims audits and have historically identified approximately \$17 in over-claimed costs for every \$1 spent on such efforts.
- Approved \$799,000 (collected from various special funds) and five positions to support ongoing maintenance and operation of the Apportionments Payment System (APS) so that apportionments to local agencies are distributed in a timely fashion.
- Approved \$517,000 (reimbursements and five positions) to implement a statewide rollout of the

California Automated Travel Reimbursement System, an automated travel expense processing system that is expected to result in significant process and cost efficiencies.

- Approved request to cancel the Bank Reconciliation System Replacement Project. Consequently, deferred \$710,000 (\$308,000 GF) in 2006-07 and reduced 2007-08 by \$248,000 (\$107,000 GF). The department anticipated returning with a retooled project proposal in one to two years.
- Approved \$848,000 GF and 7.0 positions for audits of collection, distribution, and reporting practices related to local property tax revenue for K-14 district's property.

#### **0845 DEPARTMENT OF INSURANCE**

- Approved, on a two-year limited-term basis, \$5 million (Insurance Fund) and six positions to: (1) increase investigations, audits, and prosecution of workers' compensation fraud; and (2) expand a research study on measuring and addressing insurance fraud. Of the approved funds, \$3.7 million would support the efforts of local district attorneys. The aforementioned study was funded in 2006-07, will be completed in two years, and should inform future decisions to provide permanent program funding (hence the two-year limit on funding).
- Approved \$1.6 million (Insurance Fund) to distribute assessments collected from insurers to district attorneys to investigate and prosecute fraudulent automobile insurance claims.
- Approved \$1.2 million (Insurance Fund), with only \$598,000 ongoing, and four positions to increase investigations and prosecution of disability and healthcare fraud. Of the approved funds, \$411,000 would support the efforts of local district attorneys.
- Approved \$780,000 (Insurance Fund) for one year for increased expenses associated with contracted "intervenor," who act on behalf of consumers to resolve compensation-claims conflicts with insurers. Additionally, approved budget bill language requiring the department to report annually on the identity of and the fees collected by intervenors.
- Approved redirection of two positions and associated funding from the Regulation of Insurance Companies and Producers Program to the Administration Program to assist in the implementation of the Enterprise Information Portal.

#### **0850 STATE LOTTERY COMMISSION**

- Approved as budgeted—\$120.1 million for operating costs.

#### **0860 STATE BOARD OF EQUALIZATION (BOE)**

- Adopted trailer bill language to: (1) enable local assessors to effectively and efficiently collect property tax on fractionally-owned aircraft and scored a net General Fund savings of \$10 million; and (2) explicitly authorize the BOE to include information about use tax requirements

on the annual business property statement that assessors distribute to businesses. Additionally, the Legislature approved \$400,000 (GF) for the BOE to conduct a pilot project with up to three counties to better enforce use-tax compliance amongst businesses – *the Governor vetoed this funding.*

- Approved \$1.5 million (including \$949,000 GF) and two positions to expand electronic filing (e-filing) of tax returns to include the most complex and detailed returns (which constitute approximately 175,000 accounts and 89 percent sales and use tax revenues). Additionally, adopted budget bill language requiring the BOE to report on participation in the e-filing program, as well as savings achieved.
- Approved \$1.1 million (\$696,000 GF), 15.5 limited-term positions, and one permanent position to develop and investigate tax leads turned over by the U.S. Customs service. U.S. Customs electronic records tell the State Board of Equalization (BOE) where out-of-state imports were shipped in-state, information that can be compared to use tax payments. The BOE anticipates revenues of \$15.2 million to be generated, a 13:1 benefit-cost ratio.
- Approved \$244,000 GF and two permanent positions to restore resources for conducting field audits, collections, tax return processing, refunding and other tasks associated with administering the alcohol beverage tax. The BOE anticipates these resources will generate \$1.3 million, a 5.7:1 benefit-cost ratio.
- Approved \$1.2 million (\$181,000 GF) and 8.1 positions to implement Chapter 501, Statutes of 2006 (AB 1749, Horton), which expanded the licensing and reporting requirements for tobacco manufacturers and importers. The BOE expects additional revenue of approximately \$4.2 million annually, a 6:1 benefit-cost ratio.
- Approved \$106,000 (\$69,000 GF) and a two-year limited-term position to make public on a quarterly basis a list of the 250 largest delinquent taxpayers, as required by Chapter 716, Statutes of 2006 (AB 1418, Horton).
- Approved a reduction of \$1.3 million (E-Waste Recovery and Recycling Account) and 20.7 positions to reflect a revised Electronic Waste Recycling Program workload estimate. Additionally, approved \$230,000 and extension of six expiring limited-term positions for an additional two years, to align staffing with the new workload estimate.
- Approved 11 new positions, including 8 permanent and 3 three-year limited-term, funded by redirecting existing funding of \$1 million from the Motor Vehicle Fuel Account (MVFA), to better enable the BOE to meet national International Fuel Tax Agreement membership requirements. These resources will protect an estimated \$3 billion in matching federal funds, and the BOE anticipates the new positions will generate an additional \$2.7 million annually for the MVFA.
- Approved \$715,000 (MVFA) and 5 audit positions to take advantage of new data generated by an automated reporting system and ensure tax compliance within the BOE's transportation tax programs; the motor vehicle fuel tax, diesel fuel tax, and jet fuel tax. The BOE anticipates revenues of \$14 million associated with these positions, a 21:1 benefit-cost ratio.

- Approved \$485,000 (California Tire Recycling Management Fund) and made permanent 5.8 currently limited-term positions in order to strengthen the ability to collect the Tire Recycling Fee. Collection efforts from the current positions have yielded a more than 60:1 benefit-cost ratio.
- Approved five positions and \$483,000 (fee reimbursements) to recover costs associated with implementing and administering Chapter 77, Statutes of 2006 (AB 1803, Committee on Budget). AB 1803 expanded the types of businesses subject to the environmental fee to include limited liability companies, limited partnerships, limited liability partnerships, general partnerships, and sole proprietorships.
- Approved \$313,000 (\$203,000 GF) and made permanent six limited-term positions to ensure collection of consumer use tax in the compliance program for vehicles, vessels, and aircraft. Additionally, accepted trailer bill language to make permanent a statute that requires payment of the use tax on vehicles, vessels, and aircraft purchased outside the state, but brought into California within 12 months.

#### **0890 SECRETARY OF STATE**

- Approved \$2.4 million General Fund to repay the Federal Trust Fund for illegal federal Help American Vote Act (HAVA) expenditures identified by the U.S. Elections Assistance Commission. A previous repayment of \$536,000 was approved for the current year, bringing the total repayment to \$2.9 million.
- The Legislature approved \$335,000 (GF) and four positions for voter outreach and education. *The Governor vetoed the funding.*
- Reduced the HAVA budget by \$303,000 GF to acknowledge the most current HAVA Spending Plan (September 2006), which reflects zero administrative expenditures in fiscal year 2008-09 and the need to ramp-down activities beginning in 2007-08.
- Approved 6.5 positions and \$6.9 million in federal fund authority to begin the process of replacing the existing CalVoter statewide voter database with a more centralized and technologically advanced VoteCal database.

#### **0950 STATE TREASURER'S OFFICE**

- Approved four positions and \$421,000 in reimbursement authority to address increased workload associated with issuance and refunding of general obligation (GO) bonds. Annual bond sales are anticipated to nearly double beginning in 2007-08.
- Approved \$429,000 (bond funds) and two positions for the Charter School Financing Authority to meet its additional Charter School Facilities Program obligations under The Kindergarten-University Public Education Facilities Bond Act of 2006 (Proposition 1D), which contained \$500 million for charter schools.

- Approved a reduction for the California Industrial Financing Advisory Commission (CIDFAC) of one position and \$151,000 (Industrial Development Fund) to reflect a decrease in workload.

## **1100 CALIFORNIA SCIENCE CENTER**

- Approved \$2.3 million GF for the California African American Museum (CAAM) renovation and expansion project. Total GF costs for the project are anticipated to be \$43.6 million, with an additional \$21.8 million coming from the CAAM Friends Foundation.
- Approved \$1.9 million GF and 4 positions to begin ramping up staff and operations for the late 2009 opening of the Phase II Science Center facility.

## **1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS**

- Approved funding of \$7.9 million, special fund, for the Bureau of Private Postsecondary and Vocational Education (or a successor entity) to be (re)established January 1, 2008, pursuant to legislation to be separately enacted in 2007.
- Approved new funding of \$12.3 million, special fund, for the Smog Check Program in the Bureau of Automotive Repair. The augmentation is consistent with program changes implemented by AB 1870 (Chapter 761, Statutes of 2006).

## **1700 FAIR EMPLOYMENT AND HOUSING**

- Approved as budgeted, which includes an increase of \$2.4 million GF and 17.0 positions to improve enforcement and related administration.

## **1730 FRANCHISE TAX BOARD**

- Approved a budget reduction of \$99.2 million (\$33.7 million GF) to reflect reduced project costs for the implementation of the California Child Support Automation System (CCSAS) project. Additionally, approved (1) \$724,489 in reimbursement authority increase to continue implementation of CCSAS; and (2) a \$30 million shift from 2008-09 to 2007-08 to reflect a revised rollout schedule for the Child Support Enforcement portion of CCSAS.
- Approved \$19.6 million GF and 230 positions to support Tax Gap activities. Recognized \$77.5 million in additional revenue in 2007-08.
- Approved \$1.5 million (GF) and one position to replace the current Internet infrastructure at the Butterfield Way campus in Sacramento and provide redundancy to accommodate growth in the FTB's e-commerce programs.
- Approved \$1.3 million (GF) and 10 positions to address Abusive Tax Shelter workload.
- Recognized \$1.3 million GF savings and eliminated 18 positions to reflect the implementation of Chapter 773, Statutes of 2006 (AB 2341, Villines).
- Reallocated \$865,000 from Underground Economy Criminal Investigations (Tax Gap) activities

to provide additional resources for: (1) the Corporate Nonfiler program (\$615,000)—where an additional \$2 million in revenue was recognized; and (2) a contractor (\$250,000) to identify opportunities for increased data sharing between the tax agencies—the Franchise Tax Board, the Board of Equalization, and the Employment Development Department.

- Recognized \$500,000 GF savings generated by increased use of electronic return processing, electronic remittance processing, and reduced paper printing and mailing.
- Approved a one-year limited-term position and \$144,000 GF to implement Chapter 716, Statutes of 2006 (AB 1418, Horton).

## **1760 DEPARTMENT OF GENERAL SERVICES**

- Approved the Governor’s proposal for five positions and \$428,000 (Service Revolving Fund) for Bureau of Property Management efforts to reduce energy purchases for state-owned buildings and to design, build, and operate “green” buildings. Additionally, approved \$3 million (Service Revolving Fund) on a three-year, limited-term basis, for private consultants to pursue Leadership in Energy and Environmental Design (LEED) goals for eleven state office buildings. Adopted report language requiring the DGS to inform the Legislature, among other things, of progress toward developing LEED expertise among state staff.
- Adopted the Governor’s proposal to provide \$1.2 million GF and 4.5 positions for repair projects in the State Capitol and maintenance needs of the barrier system in Capitol Park. Approved an additional \$2.9 million GF for State Capitol maintenance and repairs.
- Approved \$1.1 million (\$331,000 GF) ongoing to make permanent 13 expiring positions in the Office of Public School Construction (OPSC).
- Approved an additional \$82 million (Public Buildings Construction Fund) and reappropriation of existing funding to continue renovation of the Central Heating and Cooling Plant, Sacramento. Additionally approved \$380,000 (Service Revolving Fund) for private consultant services related to water quality monitoring and regulatory compliance consultation in order to address potential penalties and fees of approximately \$25,000 per day.
- Approved a \$63.1 million (Service Revolving Fund) permanent increase to the department’s baseline natural gas budget due to the state’s expanded use of natural gas energy, growth in the number of state agency natural gas consumers, and the price of natural gas.
- Approved \$9.2 million (Service Revolving Fund) and made permanent 73 limited-term Office of Administrative Hearings attorney and support positions in the Special Education Dispute Resolution Program.
- Approved \$4.8 million (various funds) to commence a design phase for the relocation of two critical public safety communications from the top floor of the Resources Building in Sacramento. The facility is to be relocated from the downtown area to a more seismically sound structure, at an eventual cost of \$29.5 million GF.
- Approved \$2.1 million (Earthquake Safety Bond Fund) to develop working drawings for five of



seven seismic safety projects that received preliminary plan funding in 2006-07. The two remaining projects were deferred.

- Conformed to action taken in the California Highway Patrol (CHP) budget and approved 14 positions and \$4.9 million (Service Revolving Fund) in 2007-08 and \$9.4 million (Service Revolving Fund) in 2008-09 to facilitate the implementation of a new public safety radio communications system for the CHP.
- Conformed to actions taken in the Department of Transportation (Caltrans) and Department of Corrections and Rehabilitation (CDCR) budgets and: (1) approved \$1.9 million (Service Revolving Fund) and 7.6 positions for implementation of new public safety radio communications for Caltrans; and (2) denied \$2 million (Service Revolving Fund) and 23.7 positions for implementation of new public safety radio communications for CDCR.
- Approved \$1.6 million (Property Acquisition Law Money Account) one-time for external consultant services to enhance the valuation of three current surplus properties (Lanterman Developmental Center in Pomona, Fairview Developmental Center in Costa Mesa, and Los Angeles Civic Center).
- Approved \$1.1 million (Service Revolving Fund) to fund increased costs contained in the Master Security Services Agreement for 15 state buildings. Additionally, adopted supplemental report language to require the department to update the Legislature on progress toward adopting standardized security assessments for all state-owned buildings.
- Approved \$750,000 (Service Revolving Fund) for State Capitol security.
- Approved the Governor's proposal to eliminate two positions and \$651,000 in expenditure authority for the Earthquake Safety Public Buildings Rehabilitation Bond Fund.
- Approved two positions and \$614,000 in 2007-08 (Service Revolving Fund) and four positions and \$1.3 million (Service Revolving Fund) in 2008-09 to continue development of a Fleet Analysis and Reporting System to improve tracking state vehicles. Additionally, the Legislature adopted budget bill language to require future reporting on progress toward meeting system goals, including expected savings in excess of \$2 million from surplus vehicle sales. *The Governor vetoed the budget bill language, but recognized the Legislature's intent and committed to providing the requested information as though it were included in supplemental report language.*
- Reappropriated \$1.8 million for work on the City of Richmond Hall of Justice and City Hall.
- Approved budget bill language to spend sinking funds, without submission of a budget change proposal, for tenant improvements or utilization of vacant state-owned office space.

## **1880 STATE PERSONNEL BOARD**

- Approved \$571,000 GF and 4.0 positions to administer the selection phase for the new information technology classifications.

**1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

- Approved budget bill language to require a report from PERS on how actual healthcare costs compare to estimates used for the most recent actuarial study of unfunded retiree-healthcare obligations.

**1920 STATE TEACHERS' RETIREMENT SYSTEM**

- Rejected proposal to revise the purchasing-power-projection benefit for retired teachers and added back funding of \$75 million GF associated with the proposal.

**1955 DEPARTMENT OF TECHNOLOGY SERVICES**

- Approved the Governor's proposal to decrease expenditures by \$9.3 million in the budget year and \$6.4 million in 2008-09 to align appropriations with the ongoing costs of related projects.
- Approved \$5.3 million (DTS Revolving Fund) to purchase and upgrade existing enterprise data storage capacity and safeguard customer data in order to meet the anticipated growth needs of more than 450 customers.
- Approved \$3.9 million (DTS Revolving Fund) to replace phased-out hardware and accommodate network growth.
- Approved the Governor's request for \$284,000 (DTS Revolving Fund) and three positions to provide IT support to the Governor's Office.

**2100 ALCOHOLIC BEVERAGE CONTROL**

- Approved as budgeted, including an April request, to reappropriate funds for the Licensing and Compliance System Information Technology Project.

**2150 DEPARTMENT OF FINANCIAL INSTITUTIONS**

- Approved request for \$1.2 million, special funds, and 10 new positions to improve the oversight of financial institutions in the areas of electronic-banking and disaster preparedness.
- Reduced a request for new information technology positions from 3 positions to 2 positions.

**2180 DEPARTMENT OF CORPORATIONS**

- Approved request to add \$2.3 million (special fund) and 18.0 new Examiner positions. Augmented the request by \$648,000 and 5.0 additional Examiner positions to be placed in the California Deferred Deposit Transaction unit so the unit will have sufficient staff to meet statutory audit requirements for the payday lending industry.
- Approved request to add \$973,000 (special fund) and 7 new enforcement positions. Added supplemental report language requiring bi-annual reporting to the Legislature on the status of the enforcement program.

**2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

- Approved Proposition 1C (Housing and Emergency Shelter Trust Fund Act of 2006) bond funding totaling \$778 million for the following bond categories that are budgeted directly in the Department of Housing and Community Development's budget (excluding support costs):
  - \$55 million for the CalHome Program.
  - \$40 million for the California Homeownership Program (BEGIN).
  - \$3 million for the Self-Help Housing Program.
  - \$140 million for the Multifamily Rental Housing Program.
  - \$80 million for Supportive Housing.
  - \$15 million for Homeless Youths.
  - \$40 million for Serna Farmworker Loans/Grants.
  - \$10 million for Emergency Housing Assistance.
  - \$300 million for Infill Incentive Grants.
  - \$95 million for Transit Oriented Development.

The funding levels indicated above include three legislative adjustments: funding for the Infill Incentive Grant Program was increased from \$100 million to \$300 million; \$30 million for the Housing Urban-Suburban and Rural Parks Program was deleted; and \$15 million for the Affordable Housing Innovation Program was deleted. An additional \$30 million is budgeted for the California Housing Finance Agency (CalHFA) in that department's budget. Adopted trailer bill language to implement the Infill Incentive Grant Program.

- Approved 4 new positions for administration of the Enterprise Zone program and related economic development zone programs. The Department identified GF savings of \$647,000 in another program to fund the new positions.

**2260 CALIFORNIA HOUSING FINANCE AGENCY**

- Approved Proposition 1C bond funding for the following bond categories that are budgeted directly in the California Housing Finance Agency's budget.
  - \$15 million for the Down-Payment Assistance Program.
  - \$15 million for the Residential Development Loan Program.
- Both of these are existing programs and the relevant accounts are continuously appropriated, so the California Housing Finance Agency may expend in excess of these levels if demand for the programs is high.

**2320 DEPARTMENT OF REAL ESTATE**

- Approved as budgeted.

**2400 DEPARTMENT OF MANAGED HEALTH CARE**

- Approved as budgeted.

**8260 CALIFORNIA ARTS COUNCIL**

- Approved as budgeted.

**8320 PUBLIC EMPLOYEE RELATIONS BOARD**

- Approved as budgeted, which includes 3 new legal positions to investigate unfair labor practice charges.

**8380 DEPARTMENT OF PERSONNEL ADMINISTRATION**

- Approved funding of \$2.8 million GF and 5 new positions for the Human Resources Modernization Project, which is a multiyear project to reform state classifications and improve recruitment and retention. Adopted Supplemental Report Language requiring annual reports on the project.
- Reduced funding from \$1 million to \$350,000 for medical classification recruitment contracts. Adopted budget bill language stating legislative intent that the contracts be performance-based and allowing the Director of Finance to augment funding by up to \$1.5 million if specified conditions are met.
- Adopted Supplemental Report Language requiring the Department of Personnel Administration to report on how State departments are complying with their responsibilities under the terms of the workers' compensation "Master Agreement" with the State Compensation Insurance Fund.

**8620 FAIR POLITICAL PRACTICES COMMISSION**

- Approved \$604,000 (GF) and five positions to support administrative workload growth at the Fair Political Practices Commission.

**8860 DEPARTMENT OF FINANCE**

- Approved \$1.5 million (\$1.2 million GF) to fund a 15 percent increase in compensation for staff in Budgets and a 10 percent increase in compensation for staff in the Office of State Audits and Evaluations and the Fiscal Systems Consulting Unit.
- Approved \$4.3 million GF to support a revised special project report for a comprehensive statewide financial system named the Financial Information System for California (FI\$Cal). The DOF must report by April 1, 2008 on implementation and alternative financing options. Based on initial information, the projected total cost of this project is \$1.3 billion (of which \$788 million GF).
- Approved \$132,000 GF and one position to provide oversight to the Department of Corrections and Rehabilitation and coordination within the Administration on Corrections litigation issues.
- Approved \$696,000 (non-GF) and five additional positions for the Fiscal Systems and Consulting Unit FSCU). In addition, the funding for FSCU will be realigned to reflect the

statewide service it provides. The proposal results in a General Fund savings of \$249,000.

- Approved \$654,000 GF to support the Public Employee Post-Employment Benefits Commission.
- Provided \$3 million GF for census preparation.

## **8885 COMMISSION ON STATE MANDATES**

- Amended the Governor's request to reappropriate \$41 million (GF) to pay additional claims for costs incurred in 2004-05, 2005-06, and 2006-07 and to pay for statewide cost estimates for two newly determined mandates. Instead, limited the reappropriation to one year and excluded Peace Officer Procedural Bill of Rights claims from eligibility.
- Adopted technical trailer bill language to conform statute to current mandate billing and payment cycle, including the following revisions: (1) shift by one month (January 15 to February 15) local governments' due date for submitting mandate reimbursement claims; (2) maintain the existing 10 percent penalty for reimbursement claims submitted after their deadlines, but increase the cap from \$1,000 to \$10,000; (3) direct the State Controller's Office (SCO) to report annually to the Legislature and administration by April 30 on the cost to pay reimbursement claims submitted by local governments before April 1; and (4) shift by five months (from March 15 to August 15) the final due date for state payment of mandate bills. After this date, the state is charged interest (at the Pooled Money Investment Account Rate) on any claims reported by the SCO.
- Denied the Governor's proposed trailer bill language to reform the mandate process. A policy bill, AB 1576 (Silva), contains an alternative reform proposal.

## **8910 OFFICE OF ADMINISTRATIVE LAW**

- Approved \$224,000 GF to make permanent two expiring Staff Counsel positions that support efforts to enforce laws prohibiting the use of underground regulations. Additionally, Legislature adopted budget bill language requiring reporting on any redirection of the approved positions to other nondiscretionary functions. *The Governor vetoed the budget bill language, but recognized the Legislature's intent and committed to providing the requested information as though it were included in supplemental report language.*

## **8940 MILITARY DEPARTMENT**

- Approved a \$3.5 million (\$2 million GF, \$1.5 million Federal Trust Fund) baseline increase for maintenance and repairs to address a workload backlog at state armories. The funds will be used for cyclic maintenance and remedial repairs as required.
- Approved \$1.8 million GF and 23 positions to meet the increased demand for military funeral honors.

- Denied \$1.7 million GF in 2007-08 and \$3.3 million GF in 2008-09 and ongoing for a California National Guard Tuition Assistance Program because the program was not fully conceived.
- Approved a \$774,000 \$442,000 GF baseline increase and four positions to provide custodial services to four new armories brought online in 2006. Approved \$292,000 (\$166,000 GF) and two stationary engineer positions to assist in the preventive maintenance, perform repairs, and evaluate contractor work at California National Guard facilities.
- Approved \$165,000 GF and one psychologist to establish a full-time mental health care capability for the 20,000 members of the California National Guard (CNG) and to coordinate the activities of the 38 mental health professionals provided to the CNG by the Department of Defense under the Tri-West pilot program. Additionally, adopted supplemental report language to require reporting on the mental health services needs of the CNG.
- Approved a \$100,000 GF augmentation for additional costs associated with site acquisition for the Military Department's new Headquarters Complex.
- Approved \$5.7 million ongoing (reimbursements) and 12 five-year limited-term positions to expend funds received from the Office of Homeland Security for staffing support and operational expenses associated with the statewide antiterrorism program and other training.
- Approved Governor's proposal to expend \$3.5 million (Federal funds) and establish 47 three-year limited-term positions to provide security for CNG installations and Army airfields that are considered "mission critical."

#### **9100 TAX RELIEF**

- Approved as budgeted.
- Denied the Governor's proposal to eliminate Williamson Act subventions.

#### **9210 LOCAL GOVERNMENT FINANCING**

- Approved \$3.5 million for grants to county assessors contingent upon anticipated property tax revenues collected on fractionally-owned aircraft. Additionally, approved technical amendments to budget bill language. *The Governor vetoed the grants to county assessors and the accompanying budget bill language.*

#### **9618 ECONOMIC RECOVERY FINANCING COMMITTEE**

- Denied the Governor's proposal to pre-pay \$595 million in Economic Recovery Bonds.

#### **9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS**

- Approved funding of \$1.1 billion for the 2007-08 cost of health and dental benefits provided to

annuitants.

- Approved funding of \$62.8 million in federal subsidies from the prescription-drug, Medicare Part-D benefit, to offset state costs for retiree healthcare. Adopted related trailer bill language.

#### **9800 AUGMENTATION FOR EMPLOYEE COMPENSATION**

- Approved funding of \$1.0 billion (\$525 million GF) for compensation and benefit cost increases for state workers that correspond to union contracts and court decisions. *The Governor reduced the GF appropriation by \$72.0 million, to \$453 million GF, to reduce spending and increase the budget reserve. The veto message indicates the Administration intends to reduce the 9800 GF allocation by an amount equal to 8.576 percent of each department's GF expenditures for personal services in April 2007.*
- Rejected funding of \$32 million, GF and special funds, for a new “contingency” expenditure.

#### **9840 AUGMENTATION FOR CONTINGENCIES AND EMERGENCIES**

- Approved as budgeted.

### **CONTROL SECTIONS**

#### **3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS**

- Adopted revised rates for the six retirement classes, pursuant to the California Public Employees' Retirement Board adoption of new rates on May 15, 2007. The final estimates for the State's retirement contributions in 2007-08 are \$2.8 billion, including GF costs of \$1.5 billion.

#### **4.04 “PRICE” REDUCTION**

- Amended a Finance Letter proposal to reduce departmental appropriations by half of the annual price increase, and instead eliminated the price increase (valued at \$86 million) for all state entities except the Legislature, Constitutional Officers, and the Judicial Branch.

#### **4.05 UNALLOCATED REDUCTIONS**

- Approved the Governor's proposed \$100 million unallocated reduction.

#### **4.26 ELIMINATION OF BOARDS AND COMMISSIONS**

- Deleted this control section because several of the boards and commissions proposed for elimination are still active and necessary.

**4.85 DISPOSITION OF BONDS PROCEEDS**

- Accepted Finance Letter to transfer remaining 1993 Series A and 1998 Series B Public Works Board Energy Bond proceeds to the General Fund.

**8.50 FEDERAL FUNDS RECEIPTS**

- Deleted the control section.

**11.00 EDP/INFORMATION TECHNOLOGY REPORTING REQUIREMENT**

- Revised the control section to conform to action to keep the Office of Technology Review, Oversight, and Security at the Department of Finance (adopted 2006-07 language).

**11.10 REPORTING OF STATEWIDE SOFTWARE LICENSE AGREEMENTS**

- Revised the control section to conform to action to keep the Office of Technology Review, Oversight, and Security at the Department of Finance (adopted 2006-07 language).

**15.25 APPROPRIATION ADJUSTMENTS TO REFLECT TECHNOLOGY SERVICE RATE CHANGES**

- Accepted Finance Letter to authorize the Director of Finance to adjust appropriation items to reflect cost changes resulting from new Department of Technology rate adjustment packages.

**24.80 GF EXPENDITURES FOR DEBT SERVICE**

- Adopted language directing the DOF to reimburse \$409 million in GF expenditures for the purposes of off-setting the cost of debt service payments made in prior fiscal years for public transportation related General Obligation bond expenditures in the 2007-08 fiscal year from the Public Transportation Account, as specified.

**28.00 PROGRAM CHANGE NOTIFICATION**

- Revised the proposed language to: (1) further clarify legislative intent; (2) require a department to provide notification to the Director of Finance within 45 days of receiving official notice of the availability of additional federal funds, or a written explanation to the Director if such notification is infeasible or impractical; and (3) require the Department of Finance to provide the Legislature with the official notice of availability of additional federal funds and a department's 45-day letter, as applicable, when submitting Section 28.00 requests.

**29.50 LEGISLATIVE INTENT REGARDING 2008-09 BUDGET PREPARATION**

- Added legislative intent language that the Department of Finance not include any proposed funding for discretionary price adjustments for the 2008-09 fiscal year, or budget beyond \$50



million General Fund in capital outlay for emergencies and contingencies. *The Governor vetoed the control section.*

**35.60 BUDGET STABILIZATION ACCOUNT (BSA) TRANSFER TO GENERAL FUND**

- Approved as budgeted.

# CORRECTIONS AND REHABILITATION

## 5225 Department of Corrections and Rehabilitation

### **General**

#### Trailer Bill Language

1. Approved trailer bill language to require annual reporting to the Legislature of various performance metrics on how the state's prison and juvenile justice systems are being managed.
2. ***Clean up legislation (AB 191, Budget) created in statute a second undersecretary position for program support in the Department of Corrections and Rehabilitation.***

#### Budget Bill Language

1. Approved budget bill language to direct CDCR to re-establish the Program Support Unit under the Chief Deputy Secretary for Adult Operations to review custody staffing proposals.
2. Approved budget bill language to restrict the appropriation of various budget appropriations to limit the redirection of funds for other budgetary purposes. This budget bill language is commonly referred to as Provision 22 language. ***The Governor modified this language to reflect various vetoes.***
3. Approved budget bill language to direct CDCR to work with the Department of Finance and the Legislature to improve the transparency and organization of the department's population estimate.

### **Adult Population Highlights**

- Approved a \$22 million GF funding reduction to support workload related to the adult inmate and parolee population for 2007-08. The inmate population is estimated to be 179,600 at the end of the budget year. The parolee population is estimated to be 123,400 at the end of the budget year.

- Added \$25 million GF to reflect the withdrawal of the majority of the parole reforms proposed in the Governor's budget. The administration will discharge parolees after 12 months of "clean time" and savings (\$31.2 million) related to that change in policy are reflected in the proposal adopted by the Subcommittee. This item was handled as a technical adjustment in the May Revision and the savings are contained in the population estimate.
- Approved \$21.3 million GF to cover additional costs associated with transferring up to 5,000 inmates to prison facilities outside of California. The total estimated cost of this program is \$81.3 million, which is offset by population savings related to not housing these prisoners in California prisons. This item is contained in the population estimate.
- Approved \$7.7 million GF to fund staffing for a 50-bed Mental Health Crisis Bed Unit at the California Medical Facility. This item is contained in the population estimate.
- Approved \$3.8 million GF to implement a 35-bed community facility for female offenders and to continue to support efforts to develop up to 4,500 additional beds in community facilities for female offenders. This item is contained in the population estimate.
- Approved \$10.9 million GF for the Drug Treatment Furlough program. This funding was needed to maintain the program at its current level since the department had been using aftercare funding to support this program. Aftercare funding is now needed to implement 2006 legislation (SB 1453, Speier) that requires mandatory aftercare for some offenders.

### ***Juvenile Justice Highlights***

- Approved a net increase of \$13.2 million GF to implement a juvenile justice reform policy that requires that certain low-level wards be treated at the county level. The reform includes a new block grant to counties of \$23.8 million to support the population that will remain at the county level. This grant will grow to approximately \$90 million over the next two years as over 750 youthful offenders remain at the county level for treatment instead of being sent to the state. The reform also includes \$14.9 million in one-time grants and \$100 million in lease revenue bonds for counties to help with implementing this new policy, including building new facilities, developing additional services, and building more regional collaborative efforts to serve this youthful offender population. The increase in local subventions in the budget year is offset by \$25.5 million in savings to the state Department of Juvenile Justice (DJJ) facilities due to the reduction in population. The state savings are expected to grow to over \$160 million over the next two years. ***The Governor reduced this item by \$14.9 million in his vetoes, eliminating the one-time grants to counties to develop juvenile programs locally.***

### ***Trailer Bill Language***

1. Approved trailer bill language to implement the juvenile justice reform to stop intake of youthful offenders adjudicated for non-violent, non-serious offenses (non-707b offenses) to the state DJJ on September 1, 2007. The trailer bill language also creates a new block grant program and authorizes \$100 million in lease-revenue

bonds for the construction of new local facilities for youthful offenders. ***The Governor signed this legislation, but called for clean-up to clarify the role of the Corrections Standards Authority in implementing the juvenile justice reforms contained in the legislation. Clean up legislation (AB 191, Budget) addressed this issue and made further changes to clarify how certain youthful offenders would be treated under the reforms.***

#### Budget Bill Language

1. Approved budget bill language to implement two one-time grant programs to aid in implementing the juvenile justice reform to stop intake of youthful offenders adjudicated for non-violent, non-serious offenses to the state DJJ. These grants will be allocated to every county to aid in planning for the transition (\$5 million) and for the development of additional programs and services at the county level for this youthful offender population (\$10 million). ***The budget bill language was vetoed by the Governor to conform to the vetoes made to the budget.***
- Approved \$600,000 GF to support the development of a Juvenile Justice Operational Master Plan by the State Commission on Juvenile Justice.

#### Trailer Bill Language

1. Approved trailer bill language to modify the membership of the State Commission on Juvenile Justice and directs the Commission to develop an Operational Master Plan for the state's juvenile justice system.

#### Budget Bill Language

1. Approved budget bill language to direct funding to support the development of a Juvenile Justice Operational Master Plan by the State Commission on Juvenile Justice. ***The Governor sustained this language but directed the department to delay the due date for the juvenile facilities master plan from October 2007 to February 2008.***
- Approved \$4.8 million GF to support the projected growth in the juvenile ward and parolee population for 2007-08. The ward population is estimated to be 2,500 at the end of the budget

year. The parolee population is estimated to be 2,400 at the end of the budget year. This total funding level assumes savings of \$1.7 million GF due to the closure of DeWitt Nelson Youth Correctional Facility in the budget year.

- Approved \$1.5 million Proposition 98 GF to support education at the Division of Juvenile Justice (DJJ) facilities in the budget year. This item is contained in the population estimate.
- Approved \$18.9 million GF to continue implementation of the Safety and Welfare and Mental Health Remedial plans as directed under the *Farrell* lawsuit.

### ***Rehabilitation Program Highlights***

- Approved \$74 million GF of the \$94 million GF proposed in the Governor's budget for the reducing recidivism plan. Approved an additional \$22.6 million to fund the following priorities for reducing recidivism that were not included in the Governor's plan:
  - Expanded 3<sup>rd</sup> day visiting to 10 additional prisons: \$4 million.
  - Reduced, by 25 percent, the telephone surcharges on inmate phone calls: \$6.5 million.
  - Reinstated funding for the post-parole component of the Offender Employment Continuum program: \$800,000.
  - Approved funding to enable the department to expand life skills programming efforts: \$175,000.
  - Added a Community Partnership Manager to every prison: \$3.6 million.
  - Approved funding for residential and case management services for mentally ill parolees: \$4 million.
  - Approved funding to expand the Parolee Employment Program to contract with non-profit providers to provide job placements to parolees: \$3.6 million.

### ***Trailer Bill Language***

1. Approved trailer bill language to direct a four year phase out of the concession on inmate phone calls.
- Approved \$13.9 million GF to provide pay parity for teachers in the adult institutions with teachers in the juvenile institutions and provide adequate funding to restore half of the teacher positions that are currently vacant.
  - Approved \$8.6 million GF for services to implement aftercare as a mandatory condition of parole. The base budget already contained \$10.9 million for this purpose. The \$8.6 million is included in the Governor's reducing recidivism plan.

### Trailer Bill Language

1. Approved trailer bill language to direct the allocation of the \$50 million for rehabilitation programs appropriated in Chapter 7, Statutes of 2007 (AB 900, Solorio).

### **Health Care Highlights**

- Approved \$326 million GF to improve medical care at CDCR as directed by the federal court-appointed Receiver. This amount includes an unallocated \$125 million to fund medical care activities at CDCR directed by the court-appointed Receiver in the *Plata* lawsuit. It also includes \$128 million requested by the Receiver in his May Revision letter to the Legislature. The additional funding also reflects the full-year costs (\$73.2 million) of reforms implemented by the Receiver in the current year.

### Budget Bill Language

1. Approved budget bill language to allow the Receiver to expend up to \$25 million of unallocated funds on joint efforts to help comply with the *Coleman* and *Perez* lawsuits.
  2. Approved budget bill language to schedule separately dental, mental health, and medical expenditures in CDCR's health care item.
  3. Approved budget bill language to require that funds provided to the Receiver as unallocated revert to the General Fund if they are not expended by the end of the budget year.
  4. Approved budget bill language to require the Inspector General to conduct an audit of CDCR's medical guarding and transport resources. This language is contained in the Inspector General's budget item.
- 
- Approved \$117 million GF to improve mental health care at CDCR as directed by the *Coleman* court. This amount includes \$50.6 million to fund increased salaries for mental health clinicians, \$17.5 million for modifications of administrative segregation unit cells to prevent suicide, and \$5.1 million to implement Enhanced Outpatient Programs at the reception centers. The funding also included \$40.2 million to fund the ongoing costs related to the positions established in Chapter 511, Statutes of 2006 (SB 1134).
  - Approved \$80.3 million GF to improve dental care at CDCR as directed by the *Perez* court. This amount includes \$56.8 million to fund increased salaries for dental clinicians, \$20.9 million to implement a lower inmate-to-dentist ratio and to fund additional management staff to oversee the implementation of the remedial plan related to the *Perez* lawsuit.

- Approved \$1.5 million GF to support positions to develop a hiring plan and expedite the hiring of various dental and mental health care classifications. ***This funding was vetoed by the Governor.***

### **Other Highlights**

- Approved \$105.8 million GF to implement the Sex Offender Management Plan and High Risk Sex Offender Task Force recommendations. The Sex Offender Management Plan implements Jessica's Law (Proposition 83) and other legislation by funding mandatory GPS tracking for some sex offenders.

#### Trailer Bill Language

1. Approved trailer bill language to require a research component for any sex offender treatment contract funded by CDCR.
- Approved \$118.5 million GF for the Consolidated Information Technology Project to provide basic network infrastructure to enable the department to implement new information technology solutions. Also approved GS \$SMART financing for this project so budget expenditures will be reduced to \$36.1 million GF. ***The Governor vetoed \$4.4 million for the second phase of implementation of the Consolidated Information Technology Project.***

#### Budget Bill Language

1. Approved budget bill language to direct CDCR to provide first priority data implementation to business services and rehabilitative programming, when possible.
  2. Approved budget bill language to restrict the appropriation of \$4.4 million GF for the Consolidated Information Technology Project until after CDCR reports to the Joint Legislative Budget Committee on the completion of design and engineering work for 12 of the institutions including a revised cost estimate. ***This budget bill language was vetoed by the Governor to conform to the veto of these funds from the budget.***
- Approved \$3.6 million GF to complete the Request for Proposal for the Strategic Offender Management System (SOMS) new information technology system that will update CDCR's current systems.

#### Budget Bill Language

1. Approved budget bill language to require CDCR to consider options for including educational information into CDCR's SOMS Request

for Proposal.

2. Approved budget bill language to ensure that CDCR consider options for coordinating with the Receiver's information technology systems to ensure future integration of the Receiver's system with the SOMS system.
- Approved \$3 million to continue the department's efforts to migrate from the old Apple Macintosh computer platform to a Windows platform. ***This funding was vetoed by the Governor.***
  - Approved \$46 million GF to augment the department's baseline budget for maintenance and special repairs. ***The Governor reduced this augmentation by \$10 million in his vetoes.***

#### Trailer Bill Language

1. Approved trailer bill language to require each management review audit of a warden or superintendent in CDCR conducted by the Inspector General include an assessment of the maintenance of the facility managed by the warden or superintendent. ***The Governor signed this legislation, but directed the Office of the Inspector General to implement only quadrennial audits of facility maintenance.***
- Approved \$4.3 million GF for various equipment upgrades at CDCR. ***This funding was vetoed by the Governor.***
  - Approved \$1.6 million GF to support 12 positions in the Correctional Standards Authority to administer the local jail bed construction fund authorized in Chapter 7, Statutes of 2007 (AB 900, Solorio).
  - Approved \$3.9 million GF to support 49 positions to improve the department's ability to recruit correctional officer candidates.

#### Budget Bill Language

1. Approved budget bill language to allow CDCR to submit an alternate staffing plan for the new positions approved to improve the recruitment of correctional officer candidates. ***The Governor vetoed this provision.***
- Approved \$2.4 million GF and \$9.5 million in reimbursements to establish 111 new positions for additional support positions for the Office of Facilities Management.



*Budget Bill Language*

1. Approved budget bill language to direct CDCR to bill appropriate staff work by the department related to AB 900 to the lease-revenue bonds to save General Fund.
  2. Approved budget bill language to require the Office of Facilities Management to report to the Legislature, by January 10, 2008, with a revised plan for staffing the Office of Facilities Management and any organizational changes made to the Office. ***The Governor vetoed this provision.***
- Approved \$7.9 million GF to approve recent court orders in the *Armstrong* case that requires the department to increase oversight of its compliance efforts with the Americans with Disabilities Act.
  - Approved \$6.6 million GF for an information technology system, increased custody staff, and a contract for transcription services to comply with the *Lugo (Rutherford)* lawsuit to improve the lifer hearing process.
  - Approved \$8 million GF to provide additional funding to comply with the *Valdivia* lawsuit to improve the parole revocation hearing process. This includes \$6.4 million that is included in the population estimate for legal representation and records staff and \$1.6 million included in a budget for compliance monitoring teams in the Office of Legal Affairs.
  - Deleted \$640,000 GF to eliminate the Appeals Unit in the Board of Parole Hearings.

***Infrastructure Highlights****Trailer Bill Language*

1. Approved trailer bill language to create new reporting requirements for CDCR to ensure legislative oversight of the new prison beds authorized by Chapter 7, Statutes of 2007 (AB 900, Solorio).
2. Approved trailer bill language to create new reporting requirements for CDCR to ensure legislative oversight of the expenditure of \$300 million appropriated in Chapter 7, Statutes of 2007 (AB 900, Solorio) for infrastructure to support new infill beds. The language also authorizes CDCR to expend these monies to support modifications to utilities owned by local governments that support prison facilities.
3. Approved trailer bill language to direct CDCR to coordinate the allocation of bond funds authorized in Chapter 7, Statutes of 2007 (AB 900, Solorio) for new jail beds with the siting of new re-entry

facilities in local communities.

- Approved \$5.1 million GF to develop preliminary plans for a new Psychiatric Services Unit at the California Institution for Women and upgrades needed to a Locked Observation Unit at California Men's Colony. Also approved the reversion of \$43.5 million in capital outlay projects that are no longer being pursued by the department per a revised Mental Health Bed Plan submitted to the *Coleman* court.

Budget Bill Language

1. Approved budget bill language to authorize CDCR to fund preliminary plans for a 50-bed Mental Health Crisis Bed facility at California Men's Colony from lease revenue bonds authorized in Chapter 7, Statutes of 2007 (AB 900, Solorio).
- Switched \$106 million GF to lease-revenue bonds for the construction and modification of wastewater treatment projects at four state prisons. ***The Governor reduced this item by \$12.4 million for wastewater projects at Corcoran and Centinela in his vetoes. The Governor has directed the department to fund these projects from the \$300 million included in Chapter 7, Statutes of 2007 (AB 900, Solorio).***
  - Denied \$15.1 million GF to start preliminary plans to construct dental clinic space at seven different institutions to comply with the *Perez* lawsuit.

Budget Bill Language

1. Approved budget bill language to request that CDCR coordinate with the Receiver over medical care on the construction of joint medical and dental clinic space.
- Approved \$10 million GF for various projects and additional modular units to implement the *Farrell* reforms.

Budget Bill Language

1. Approved budget bill language to require CDCR to report to the Joint Legislative Budget Committee (JLBC) on how it plans to allocate the capital outlay funding provided to comply with the *Farrell* lawsuits.
2. Approved budget bill language to require that CDCR provide the JLBC with an update of the facility master plan for juvenile facilities by October 31, 2007.
3. Approved budget bill language to require that CDCR provide the JLBC with a reconciliation of the facility master plan with the

Operational Master Plan being developed by the State Commission on Juvenile Justice.

4. Approved budget bill language to allow CDCR to continue to use support dollars for the acquisition of modular units constructed by the Prison Industry Authority.
- Approved \$182,000 GF to complete the construction of the Lethal Injection Chamber at San Quentin State Prison.

#### Budget Bill Language

1. Approved budget bill language to require that CDCR work with the federal government to ensure that the construction meets the requirements of the federal court.
- Approved \$2 million GF for minor capital outlay projects at various state prisons facilities.

#### Budget Bill Language

1. Approved budget bill restricting the redirection of minor capital outlay projects unless there are special circumstances or an emergency.

#### **Local Subventions**

- Approved \$16.8 million GF to fund local assistance for a jail rate increase and other local mitigation costs to reimburse county coroners, district attorney costs, and other costs. This item is contained in the population estimate.

#### Trailer Bill Language

1. Approved trailer bill language that would limit local government jurisdictions from filing a reimbursable claim with CDCR or any other state agency more than six months after the close of the month in which the costs were incurred.
- Rejected the Governor's block grant proposal to fund local probation services for 18- to 25-year olds statewide. Approved \$20 million for four probation pilot projects. This funding was then reduced to \$10 million in SB 78 (Budget) the companion bill to the conference report.

Trailer Bill Language

1. Approved trailer bill language to guide the implementation of the two probation pilot projects. ***Clean up legislation (AB 191, Budget) was enacted to ensure that the pilot projects are designed and implemented locally.***
- Approved \$29.7 million GF for the Mentally Ill Offender Crime Reduction (MIOCR) Grants to local law enforcement. This funding is contained in SB 78 (Budget) the companion bill to the conference report.

Budget Bill Language

1. Approved budget bill language to pass through the Cost-of-Living Increase provided to CDCR to the publicly-owned Community Correctional Facilities in California with contracts with CDCR. ***The Governor vetoed this language because the budget no longer contains funding for a price increase.***

**0552 Office of the Inspector General**

- Approved \$1.8 million GF to expand the audit functions of the Office of the Inspector General.
- Approved \$1 million GF to require the Office of the Inspector General to review candidates for appointment as superintendent of a juvenile correctional facility. ***The Governor reduced this item by \$959,000 in his vetoes.***
- Approved approximately \$517,000 GF to support the operations of the California Rehabilitation Oversight Board as created by Chapter 7, Statutes of 2007 (AB 900, Solorio).
- Approved \$191,000 GF for one position to oversee the implementation of the *Armstrong* lawsuit and audit the federal court-appointed Receiver's budget.

Budget Bill Language

1. Approved budget bill language to direct the Office of Inspector General to complete a study of custody resources at CDCR related to medical guarding and transportation. ***The Governor vetoed this language and directed the new Program Support Unit at CDCR to conduct this study.***

## JUDICIARY

### 0250 Judicial Branch

- Approved \$124.7 million GF to fully fund the State Appropriations Limit (SAL) adjustment to the trial courts in the budget year. Approved the Judicial Council's draft allocation of the SAL funding, which includes funding for the following priorities:
  - Retirement adjustment - \$1.1 million reduction
  - Security - \$23 million
  - Inflation and workforce (allocated pro rata) - \$86.7 million
  - Workload (100% for equalization) - \$16.1 million.
- Approved \$27.8 million GF that grows to \$74.3 million GF in 2008-09 to add 50 new judgeships. *The Governor reduced this item by \$3 million in vetoes to reflect one month of salary savings related to the 50 new judgeships established in 2006-07.*
- Rejected Governor's proposal to implement a base-level of security at all trial courts. The Governor's proposal would have cost \$36.6 million in the budget year and would have grown to \$57.8 million in 2008-09.
- Approved \$17.4 million GF to implement the Conservatorship and Guardianship Reform Act of 2006 to increase court oversight over the conservatorship and guardianship system for elderly and dependent adults. *The Governor vetoed this item.*
- Approved \$1.4 million GF to require court-appointed counsel for children in appeals of dependency court orders.
- Approved \$2.5 million GF proposal to create new and expand existing self-help programs.
- Approved \$35.9 million from the Court Facilities Construction Fund to fund acquisition, preliminary plans, and/or working drawings for 11 new courthouse projects in the following counties: Contra Costa, joint facility for Plumas and Sierra, Mono, Madera, San Bernardino, San Joaquin, Riverside, Tulare, San Benito, Calaveras, Lassen, and Los Angeles – Long Beach.

#### Budget Bill Language

1. Approved budget bill language to allocate the State Appropriations Limit as described above.
2. Approved budget bill language to direct the Judicial Council to

allocate funds to the Los Angeles Superior Court to provide two months of retroactive pay raises from 2005.

3. Approved budget bill language to direct the Judicial Council to provide \$5 million to trial courts from existing funds to create pay ranges for court interpreter employees. The budget bill language would also direct the Judicial Council to allocate \$250,000 to develop and make available to trial courts interpreter training and recruitment programs. ***The Governor modified this budget bill language to set statewide or regional rates and policies for paying court interpreters, not to exceed the rate paid to certified interpreters in the federal court system.***
4. Approved budget bill language to direct the Judicial Council to provide a \$5 increase to the hourly rate for Court Appointed Counsel from within existing resources. ***The Governor vetoed this budget bill language.***
5. Approved budget bill language to authorize the Judicial Council to enter into a public-private partnership to construct a new Long Beach courthouse. The language requires that the Judicial Council develop benchmarks and performance criteria and submit these criteria to the Legislature 30 days prior to the release of initial solicitation documents.

#### Trailer Bill Language

1. Approved trailer bill language to allow the Judicial Council to enter into public-private partnerships to construct new courthouse projects. The language requires that the Judicial Council develop benchmarks and performance criteria for these projects that must be submitted to the Legislature.
2. Approved trailer bill language to restrict new expenditures from the Court Facilities Construction Fund unless the increased expenditures are offset by increased revenues to the fund.
3. Approved trailer bill language to require that the Judicial Council develop disposition plans for courthouse properties transferred to the state before the construction of new courthouse projects in the same jurisdiction.
4. Approved trailer bill language to make permanent a 20 percent surcharge on base criminal fines. Revenues from this surcharge are deposited in the General Fund.

**0280 Commission on Judicial Performance**

- Approved as budgeted.

**0390 Contributions to the Judges' Retirement System**

- Approved as budgeted.

## PUBLIC SAFETY AND CRIMINAL JUSTICE

### 0820 Department of Justice

- Approved \$3.4 million GF to augment the department's Criminal Law division to support the increased federal habeas corpus workload.
- Approved \$2.2 million GF to augment the department's Civil Law division to handle the increased class action workload related to the California Department of Corrections and Rehabilitation.
- Approved \$4.2 million GF to maintain staffing to continue a class action lawsuit against insurance companies referred to as the *Underwriters* litigation. This litigation is against insurance companies that reneged on insurance coverage held by the state on the Stringfellow hazardous waste dump.
- Approved \$611,000 GF to enhance the Megan's Law website and implement other requirements of legislation (SB 1128, Alquist and AB 1849, Leslie) enacted in 2006 related to sex offenders.
- Approved \$11.2 million GF to fully fund the DNA Program at \$32.2 million in the budget year.
- Approved \$1 million GF to fund new climate change related litigation. ***The Governor vetoed this item.***
- Approved \$541,000 from the Dealers' Record of Sale Special Account to modernize the Automated Firearms System database to allow local law enforcement to trace crime guns. ***The Governor sustained this augmentation, but is requiring that DOJ provide DOF and the Legislature with a long-term analysis of the solvency of this fund.***
- Approved \$3.7 million from the Restitution Fund to increase funding for the California Witness Protection Program, including adding \$3 million in local assistance to reimburse district attorneys for witness protection costs.
- ***The Governor vetoed \$2.2 million from the Hazardous Waste Control Account and the Toxic Substances Control Account to support the Environmental Law Section to reflect half-year funding for this program. The Governor further urged the Legislature to pass legislation that redirects these funds to the California Environmental Protection Agency and the Department of Toxic Substances Control's green chemistry initiative and to return the litigation oversight role in hazardous waste cases to Cal/EPA and DTSC.***

#### Trailer Bill Language

1. Approved trailer bill language to consolidate the Division of Firearms and the Division of Gambling Control within the Division



of Law Enforcement.

2. Approved trailer bill language to require a 25 percent local match for local agencies that apply for reimbursement from the state for witness protection expenditures through the Witness Protection Program.

#### Budget Bill Language

1. Approved budget bill language to require DOJ to have an approved Feasibility Study Report from the Department of Finance before implementing upgrades to the Automated Firearms System.
2. Approved budget bill language to reflect a consolidation of the Division of Gambling Control and the Division of Firearms within the Division of Law Enforcement.
3. Approved budget bill language to restrict the use of the \$1 million provided for climate change litigation from being expended on litigation against local government entities. ***This budget bill language was deleted to conform to the veto of the funding.***

### **0855 Gambling Control Commission**

- Rejected \$1.7 million for the commission to oversee minimum internal control standards of tribal gaming operations.
- ***The Governor vetoed \$30 million for grants to local government agencies to mitigate the impacts on the local governments by tribal casinos. The Governor also vetoed budget bill language to conform to this action. After the veto, there remains \$283,000 for payment to Del Norte County for local mitigation grant funding that was not received in past years.***

### **1690 Alfred E. Alquist Seismic Safety Commission**

- Approved \$2 million special fund for a new grant program to fund research topics selected from the Commission's Earthquake Research Plan.

### **1870 California Victim Compensation and Government Claims Board**

- Approved as budgeted.

## 8120 Commission on Peace Officer Standards and Training

- Approved \$3.5 million special funds to replace the eight oldest Law Enforcement Driving Simulators.
- Approved \$650,000 special funds to develop a new web-based training portal, including converting current CD-ROM training to web-based.
- Approved \$250,000 in special funds to increase the contract it has with the State Controller's Office to audit local law enforcement to ensure that local agencies are submitting appropriate reimbursement claims.

### Budget Bill Language

1. Approved budget bill to require a report on audit findings. ***The Governor vetoed this budget bill language, but instructed the Commission to comply, to the extent possible, with the reporting requirement.***
2. Approved budget bill language to allow state law enforcement to participate in the *Tools for Tolerance* training program at the Simon Wiesenthal Museum of Tolerance.

## 8140 State Public Defender

- Approved as budgeted.

## 8180 Payments to Counties for Costs of Homicide Trial

- Approved as budgeted.

## 8550 California Horse Racing Board

- Approved as budgeted.